



INTEGRATED ASSET MANAGEMENT CORP.

Price (February 11): \$0.63
 52-Week Range: \$0.65-\$0.35
 Shares O/S: 28.31 million
 Market Cap: \$17.55 million

Recommendation: Buy (No Change)
12-Month Target Price: \$1.00 (No Change)

FIRST-QUARTER F2010 RESULTS

Integrated Asset Management Corp. (“IAM” or the “Company”) reported financial results for Q1/2010 that ended December 31, 2009. Table 1 shows that Assets Under Management (AUM) slipped a little, to just below \$2 billion. Table 2 shows Fee Income and the resulting EBITDA (eResearch-adjusted), with a significant increase in Performance Fees. Table 3 presents the full Income Statement, with Net Income rising more than 3.6x on the back of the substantial increase in the Performance Fees.

TABLE 1: Assets and Committed Capital Under Management (“AUM”)

(\$ millions)	<u>Dec-09</u>	<u>Sep-09</u>	<u>Sep-08</u>	<u>Sep-07</u>	<u>Sep-06</u>	<u>Sep-05</u>	<u>Sep-04</u>
Total AUM	\$1,988.2	\$2,013.2	\$2,330.4	\$2,220.8	\$2,179.6	\$2,162.1	\$1,141.5

TABLE 2: Fee Income and EBITDA
 (\$000s)

	<u>Fiscal Yr Sep/2008</u>	<u>Fiscal Yr Sep/2009</u>	<u>Last 12Mo Dec/2009</u>	<u>Fiscal Yr Sep/2010E</u>
Management Fees	17,880	15,121	14,796	15,600
Expenses Assoc. with Mgmt Fees Earned	<u>(1,886)</u>	<u>(1,714)</u>	<u>(1,568)</u>	<u>(1,600)</u>
Net Management Fees	15,994	13,407	13,228	14,000
Performance Fees	7,186	314	4,795	6,000
Expenses Assoc. with Perf Fees Earned	<u>(2,667)</u>	<u>(29)</u>	<u>(1,523)</u>	<u>(2,000)</u>
Net Performance Fees	4,519	285	3,272	4,000
Total Fees	20,513	13,692	16,500	18,000
S,G,&A	<u>(14,613)</u>	<u>(14,045)</u>	<u>(13,823)</u>	<u>(14,500)</u>
EBITDA (eResearch adjusted)	5,900	(353)	2,677	3,500
EBITDA Margin (adjusted)	23.5%	-2.3%	13.7%	16.2%



TABLE 3: Income Statement

Statement of Net Income (\$000s)	Fiscal Yr Sep/2008	Fiscal Yr Sep/2009	Last 12Mo Dec/2009	Fiscal Yr Sep/2010E
Total Gross Fees Earned	<u>25,066</u>	<u>15,435</u>	<u>19,591</u>	<u>21,600</u>
Management Fees	17,880	15,121	14,796	15,600
Expenses Assoc. with Mgmt Fees Earned	<u>(1,886)</u>	<u>(1,714)</u>	<u>(1,568)</u>	<u>(1,600)</u>
Net Management Fees	15,994	13,407	13,228	14,000
Performance Fees	7,186	314	4,795	6,000
Expenses Assoc. with Perf Fees Earned	<u>(2,667)</u>	<u>(29)</u>	<u>(1,523)</u>	<u>(2,000)</u>
Net Performance Fees	4,519	285	3,272	4,000
Net Fees (Management and Performance)	20,513	13,692	16,500	18,000
Net Fees (% Management)	78.0%	97.9%	80.2%	77.8%
S,G,&A	(14,613)	(14,045)	(13,823)	(14,500)
S,G,&A as % of Gross Fees	<u>58.3%</u>	<u>91.0%</u>	<u>70.6%</u>	<u>67.1%</u>
EBITDA	5,900	(353)	2,677	3,500
EBITDA Margin	23.5%	-2.3%	13.7%	16.2%
Depreciation and Amortization	(2,323)	(2,138)	(1,610)	(1,800)
Stock-Based Compensation	(182)	(123)	(45)	(120)
Other Non-Cash Items	<u>(61)</u>	<u>53</u>	<u>145</u>	<u>150</u>
EBIT	3,334	(2,561)	1,167	1,730
Interest Income	924	458	376	500
Interest Expense	<u>(64)</u>	<u>(23)</u>	<u>(24)</u>	<u>(25)</u>
EBT	4,194	(2,126)	1,519	2,205
Current Income Taxes	(2,212)	78	(788)	(500)
Future Income Taxes/Recovery	701	2,291	2,172	1,500
Tax Rate	36.0%	24.0%	22.3%	-31.2%
Non-Controlling Interest	<u>(1,027)</u>	<u>(29)</u>	<u>(572)</u>	<u>(50)</u>
Net Earnings, Continuing Operations	1,657	214	2,331	3,155
Extraordinary Items	0	(7,725)	(7,725)	1,000
Net Earnings, Discontinued Operations	<u>238</u>	<u>967</u>	<u>0</u>	<u>0</u>
Total Net Income	1,895	(6,542)	(5,392)	4,155
Total Shares Outstanding (000s)	28,568	28,310	28,310	28,300
Weighted Average Shares Outstanding (000s)	28,512	28,397	28,310	28,323
Earnings Per Share, Continuing Operations	\$0.06	\$0.01	\$0.08	\$0.11
Earnings Per Share, Total Net Income	\$0.07	(\$0.23)	(\$0.19)	\$0.15

Source: Company and eResearch



First-Quarter 2010 Results

(1) Net Income

The Company's net income for the first quarter of F2010 was \$1.6 million (EPS of \$0.06 per share) compared with net income of \$0.4 million (\$0.02 per share) in the corresponding quarter of 2009. EBITDA was \$3.2 million compared with \$0.2 million a year earlier, with the increase attributable to the higher net performance fees realized by IAM in Q1/F2010.

IAM's profitability was negatively impacted by operating losses at BluMont Capital (Retail Alternative Investments), before the impact of performance fees. Assets Under Management in this division had declined substantially in fiscal 2009 (ended September 30) from \$549 million to \$307 million, and decreased another \$11 million in Q1/F2010.

(2) Revenues

Total revenues for Q1/F2010 were \$8.2 million compared with \$4.0 million in the corresponding quarter of 2009, reflecting an increase in performance fees realized. Virtually all of the performance fees in the quarter were from the Real Estate Asset Management Operations (approximately \$4.3 million), with the remainder (\$0.4 million) from BluMont Capital. IAM earns performance fees when investment returns outperform designated benchmarks.

(3) Working Capital

The Company ended the quarter with a strong working capital position. Cash and marketable investments were \$7.6 million. IAM has no debt.

(4) Assets Under Management

Assets Under Management (AUM) declined by about \$25 million during Q1/F2010, from \$2.013 billion at September 30, 2009 to \$1.988 billion at December 31, 2009.

For further details on the results, see Integrated Asset Management Corp.'s February 8, 2010 news release and detailed financial statements, available on SEDAR at www.sedar.com.

COMMENT: *In light of the difficulties experienced by asset management firms in the past year or so, and in the belief that many of them are considering merger, joint-venture or acquisition proposals, IAM - which has held on to its cash reserves - is evaluating a variety of potential acquisitions that would increase assets under management and expand the Company's product line. In this respect, IAM is in the process of closing (expected sometime in the next two months) the acquisition of Northern Rivers Capital Management Inc., which offers specialized investment funds. The acquisition will bring to IAM two highly acclaimed portfolio managers who will augment IAM's team of over 20 investment professionals.*



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RECOMMENDATION

The shares of IAM rose 19% following the release of Q1/2010 results, and closed the day at \$0.63 on more than 3x the recent average volume.

It has been our opinion for some time that share performance of IAM is likely to be constrained until the Company provides evidence that it is solving its corporate challenges. These challenges are: (i) to turn around Retail Alternative Investments (BluMont); and (ii) to resume growth in assets under management. Despite the improved profit performance in Q1/2010, these two challenges remain.

However, Q1/2010 makes a good beginning to the current fiscal year. As a result, we are raising our full-year earnings per share estimate from \$0.04 to \$0.15. This includes \$0.04 per share for an extraordinary item relating to an expected one-time real estate asset disposition.

We are maintaining our 12-month Target Price of \$1.00 per share. That represents a forward p/e of 6.7x, which seems reasonable at this stage of the company's recovery. Excluding the non-recurring item, the p/e is 9.1x.

Higher multiples are predicated on solving those problems to which we referred earlier.

THE COMPANY

IAM is a Toronto-based alternative asset management company with approximately \$2 billion (as of December 31, 2009) in assets and committed capital under management in Real Estate, Private Corporate Debt, Private Equity, Managed Futures, Retail Alternative Investments, and Mining Asset Management.

The Company offers its asset management services to institutional, pension, and private clients.

For more on IAM, see eResearch's January 28, 2010 *Update Report*, available at www.eresearch.ca.



RATINGS HISTORY

Date	Report Type	Recommendation	Stock Price	Target Price
Feb. 8, 2007	Update	Speculative Buy	\$1.62	\$3.00
Apr. 24, 2007	Update	No Change	\$1.68	No Change
Nov. 21, 2007	Update	No Change	\$1.52	No Change
Dec. 19, 2007	Update	No Change	\$1.40	No Change
Mar. 10, 2008	Update	No Change	\$1.35	No Change
Apr. 21, 2008	Update	No Change	\$1.20	No Change
May 27, 2008	Update	No Change	\$1.38	No Change
Aug. 14, 2008	Bulletin	No Change	\$1.16	No Change
Aug. 21, 2008	Update	No Change	\$1.16	\$2.35
June 16, 2009	Update	No Change	\$0.48	\$1.00
Nov. 20, 2009	Update	Buy	\$0.42	No Change
Dec. 7, 2009	Perspective	No Change	\$0.41	No Change
Dec. 17, 2009	Perspective	No Change	\$0.51	No Change
Jan. 28, 2010	Update	No Change	\$0.50	No Change
Feb. 12, 2010	Perspective	No Change	\$0.63	No Change

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